

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on policies and practices for advanced metering, demand response, and dynamic pricing.

Rulemaking 02-06-001
(Filed June 6, 2002)

**ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE'S RULING
CONTINUING AVAILABILITY OF TARIFFS AND PROGRAMS
UNDER THE STATEWIDE PRICING PILOT**

Summary

The Joint Utilities shall file advice letters within 10 days of this ruling to extend availability of the critical peak pricing tariffs offered under the Statewide Pricing Pilot (SPP) and to continue the Advanced Demand Response System (ADRS) and Information Display Pilot (IDP) evaluation projects to include data collection for summer 2005. These tariffs and programs shall be extended through December 31, 2006, to customers currently enrolled on the tariffs and in the programs, as modified herein. The Joint Utilities are authorized to spend up to \$862,000 annually to continue offering these tariffs and programs by combining unspent 2003/2004 Working Group 3 program funds for this purpose.¹

¹ On September 20, 2004, via letter to the Energy Division, the Joint Utilities asked to reallocate funds between programs to fund ongoing research and operating cost. Consistent with the direction provided by Energy Division, this request is approved.

The utilities may close the experimental time-of-use (TOU) rates offered as part of the SPP and migrate customers on those tariffs to standard TOU or other applicable rates, or offer those customers the option of enrolling in the critical peak pricing tariffs offered as part of the SPP. The Joint Utilities shall actively recruit additional commercial customers with loads between 20 and 200 kilowatts in order to expand the customer base served under the experimental critical peak pricing (CPP) tariffs to provide for a statistically significant assessment of price elasticity of demand for this customer class. If the Joint Utilities find that the authorized budget to continue these tariffs and programs is insufficient, they may file a request for budget augmentation in 2005.

Background

On September 2, 2004, San Diego Gas & Electric Company (SDG&E), on behalf of the Joint Utilities (SDG&E, Southern California Edison Company, and Pacific Gas and Electric Company), filed the Joint Utilities' plan to close the SPP. Briefly, the Joint Utilities propose to close the experimental tariffs and shift customers currently receiving the tariffs to either standard TOU or other applicable tariffs for their customer class, and remove (in most cases) interval meters, communication technology, and other enabling technology installed as part of the pilot.

The Office of Ratepayer Advocates filed a response on September 22, 2004, suggesting, among other things, that closure of the pilot was ill advised. The assigned Administrative Law Judge issued a ruling on September 29, 2004, directing the Joint Utilities to submit additional information regarding the ongoing costs of continuing the program and tariffs so that the Commission would have fuller information to evaluate whether or not to close the SPP. The Joint Utilities filed their response on October 8, 2004.

Discussion

In their plan to close the SPP and other programs (ADRS, IDP), the Joint Utilities forecast one-time costs of \$862,000. To keep the program open, they forecast annual costs of \$3.1 million for all program elements.² From a review of the filing that describes costs to continue the tariffs and programs it appears that the Joint Utilities' cost estimate includes a number of costs that will no longer be required if the tariffs are retained for current customers rather than the program being operated in pilot mode (for example, customer communications and significant program management costs are most likely different under an approach of maintaining the program rather than actively engaging in research and retention of customers). It also appears that some of the projected costs are inexplicably high (for example, meter data retrieval and maintenance costs) given that the meters were installed no more than two years ago. In addition, it is unclear why the per meter data retrieval and enabling technology maintenance and ongoing costs are so high, especially given that installation of communications technology was part of the pilot.

Given this Commission's strong interest in further exploration of advanced metering infrastructure and the positive reaction of customers on the critical peak pricing tariffs offered through the SPP, it makes little sense to us to close the tariffs and remove the already installed metering and communications equipment. Continuation of the tariffs will allow further assessment of long term customer response to critical peak pricing tariffs both without and when

² Decision 04-01-012 authorized the Joint Utilities' estimate of \$3.394 million for recurring program costs in 2004. The October 8, 2004 response identifies costs of \$2.14 million for continuing the SPP at current enrollment, \$0.78 million for the ADRS program, and \$0.19 million for the IDP.

provided control technologies, and allow for additional research on load impacts and price elasticity in the commercial customer class where SPP research objective was not fully realized.

Our objectives in continuing these tariffs are to provide customers the option to remain on the experimental tariff until a new critical peak pricing tariff is available to customers generally, to perform some additional research in the medium commercial sector where results were not statistically significant, and to obtain additional information about the effectiveness of the ADRS and IDP programs, given that they have only operated for a short time. We believe that these objectives should be achievable within the proposed decommissioning budget of \$862,000. The tariffs and programs should be extended until December 31, 2006, with an annual budget of at most \$862,000 for that time period. These costs should continue to be booked to the Advanced Metering Demand Response Accounts at each utility. In order to fund the ongoing costs of leaving open the tariffs, the utilities may combine the individual budget items from approved 2003/2004 Working Group 3 programs into an overall budget for this purpose.

In order to offset some of the ongoing costs of continuing the tariffs, the utilities shall modify their CPP tariffs to incorporate a meter charge (daily or monthly, as applicable) no greater than the charge in standard TOU tariffs for the same customer class. No participation appreciation payments shall be offered in 2005 and 2006 as an element of the experimental CPP tariffs. The Joint Utilities should only remove meters installed as part of the pilot to the extent that the customer explicitly requests removal, even if the customer chooses to switch to another tariff option, unless the utility would remove the meter in the normal course of business.

In their request for approval of their proposed decommissioning plan, the Joint Utilities proposed a specific “Exit Package” of materials be sent to customers. We do not approve or disapprove any specific package of materials other than to state that any materials sent should be consistent with this ruling by providing customers the option to continue on the experimental CPP tariffs at their option. The materials provided should not attempt to push the customer into one decision or another regarding the rate option simply because the Joint Utilities preferred to close the program and we require it to remain open.

Therefore, **IT IS RULED** that:

1. The Joint Utilities shall not decommission the Statewide Pricing Pilot as proposed in their September 2, 2004 filing.
2. The Joint Utilities shall continue to offer critical peak pricing tariffs, Advanced Demand Response Systems, and Information Displays to existing customers by filing advice letters within 10 days of the date of this ruling extending the effective date of the tariffs to December 31, 2006.
3. The Joint Utilities shall implement a meter charge for customers on the critical peak pricing (CPP) tariffs not to exceed the charge in standard time-of-use tariffs for the same customer class and shall not offer participation appreciation payments in 2005 and 2006 as part of the experimental CPP tariffs.
4. The Joint Utilities shall recruit additional commercial customers between 20 and 200 kilowatts to enroll in critical peak pricing tariffs in order to ensure a statistically significant sample to estimate price elasticities for at least three building types.
5. The Joint Utilities shall offer customers on the experimental time of use rates the option of signing up for the CPP tariffs or other relevant tariff options for their customer class.

6. The Joint Utilities are authorized to spend up to \$862,000 annually to continue offering these tariffs and programs by combining unspent 2003/2004 Working Group 3 program funds for this purpose, and to utilize these same unspent funds to cover ongoing research and operating costs, consistent with their September 20, 2004 request to Energy Division.

7. Costs associated with this extension shall continue to be booked to the Advanced Metering Demand Response Accounts at each utility.

Dated October 29, 2004, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey
Assigned Commissioner

/s/ MICHELLE COOKE

Michelle Cooke
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Assigned Commissioner and Administrative Law Judge's Ruling Continuing Availability of Tariffs and Programs Under the Statewide Pricing Pilot on all parties of record in this proceeding or their attorneys of record.

Dated October 29, 2004, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.